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UniSourceEnergy
SERVICES

P.O. Box 711
Tucson, Arizona 85702-0711

March 2, 2009

Ernest Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Re: Docket Nos. G-04204A-06-0463, G-04204A-06-0013 and
G-04204A-05-0831, Decision No. 70011

Mr. Johnson,

Pursuant to Decision No. 70011 (November 27, 2008) UNS Gas, Inc. ("UNS Gas") is required to submit semi-annual Demand-Side Management ("DSM") program progress reports on March 1st and September 1st of each year in accordance with Commission Staff's recommendations. Enclosed please find UNS Gas' Semi-Annual DSM Program Progress Report for the reporting period of July 1, 2008 through December 31, 2008. The marketing materials for the reported DSM programs are being filed directly with Commission Staff on the attached CD.

Also enclosed is an additional copy that the Company requests you date-stamp and return in the self-addressed, stamped envelope for our files.

If you have any questions, please contact me at (520) 884-3680.

Sincerely,

Jessica Bryne
Regulatory Services

Enclosures: Report and CD

cc: Docket Control, ACC (w/o CD)
Julie McNeely-Kirwan, ACC (with CD)
Compliance, ACC (w/o CD)
Shannon Kanlan, ACC (w/o CD)

Arizona Corporation Commission

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UNS GAS, INC.

SEMI-ANNUAL DSM PROGRESS REPORT FOR THE PERIOD: July through December 2008

This progress report includes the following information for all UNS Gas Demand Side Management (DSM) programs that were in place during this reported period including programs for residential, non-residential, and low-income customers:

- A brief description of the program;
- Program modifications;
- Program goals, objectives, and savings targets;
- Programs terminated;
- The levels of participation;
- A description of evaluation and monitoring activities and results;
- kW, kWh, and therm savings;
- Problems encountered and proposed solutions;
- Costs incurred during the reporting period disaggregated by type of cost, such as administrative costs, rebates, and monitoring;
- Findings from all research projects; and
- Other significant information.

Summary pages detailing DSM program expenses for July through December 2008 and for the entire year are provided in Tables 1 and 2. Program savings benefits are provided in Table 3. Lifetime Environmental benefits are provided in table 4. Program savings and costs since program inceptions are provided in Table 5.

UNS GAS, INC.

SEMI-ANNUAL DSM PROGRESS REPORT FOR THE PERIOD: July through December 2008

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UNS GAS, INC.

SEMI-ANNUAL DSM PROGRESS REPORT FOR THE PERIOD: July through December 2008

Table 1

DSM PROGRAM EXPENSES: JULY – DECEMBER 2008

DSM Program	Rebates & Incentives	Training & Technical Assistance	Consumer Education	Program Implementation	Program Marketing	Planning & Admin	Program Total Cost
Residential Programs							
Low-Income Weatherization	\$ 68,124	\$ -	\$ -	\$ 3,706	\$ -	\$ 1,877	\$ 73,707
Energy Smart Homes	\$ -	\$ 366	\$ 370	\$ 67,652	\$ 3,498	\$ 2,117	\$ 74,004
Efficient Home Heating	\$ 33,725	\$ 320	\$ 100	\$ 20,968	\$ 13,727	\$ 1,975	\$ 70,814
Total for Residential Programs	\$ 101,849	\$ 686	\$ 470	\$ 92,326	\$ 17,225	\$ 5,969	\$ 218,526
Commercial Programs							
C&I Facilities Gas Efficiency	\$ 1,325	\$ -	\$ 4,497	\$ 25,136	\$ -	\$ 2,231	\$ 33,190
Total for Commercial Programs	\$ 1,325	\$ -	\$ 4,497	\$ 25,136	\$ -	\$ 2,231	\$ 33,190
Segment Totals	\$ 103,174	\$ 686	\$ 4,967	\$ 117,462	\$ 17,225	\$ 8,201	\$ 251,716

Program Costs	\$ 251,716
Measurement, Evaluation & Research (MER)	\$ 63,894
TOTAL	\$ 315,610

Table 2

DSM PROGRAM EXPENSES: JANUARY – DECEMBER 2008

DSM Program	Rebates & Incentives	Training & Technical Assistance	Consumer Education	Program Implementation	Program Marketing	Planning & Admin	Program Total Cost
Residential Programs							
Low-Income Weatherization	\$ 84,503	\$ 3,000	\$ -	\$ 3,706	\$ -	\$ 3,166	\$ 94,376
Energy Smart Homes	\$ -	\$ 751	\$ 370	\$ 81,300	\$ 3,536	\$ 7,061	\$ 93,018
Efficient Home Heating	\$ 33,725	\$ 753	\$ 100	\$ 29,837	\$ 16,547	\$ 5,395	\$ 86,357
Total for Residential Programs	\$ 118,228	\$ 4,505	\$ 470	\$ 114,843	\$ 20,083	\$ 15,622	\$ 273,761
Commercial Programs							
C&I Facilities Gas Efficiency	\$ 1,325	\$ 385	\$ 4,497	\$ 39,304	\$ -	\$ 5,651	\$ 51,162
Total for Commercial Programs	\$ 1,325	\$ 385	\$ 4,497	\$ 39,304	\$ -	\$ 5,651	\$ 51,162
Segment Totals	\$ 119,553	\$ 4,890	\$ 4,967	\$ 154,147	\$ 20,083	\$ 21,273	\$ 324,912

Program Costs	\$ 324,912
Measurement, Evaluation & Research (MER)	\$ 90,059
TOTAL	\$ 414,972

UNS GAS, INC.

SEMI-ANNUAL DSM PROGRESS REPORT FOR THE PERIOD: July through December 2008

Definitions

Rebates & Incentives -- Includes dollars that go toward customer rebates and incentives and installation of low-income weatherization.

Training and Technical Assistance -- Includes all dollars used for energy efficiency training and technical assistance.

Consumer Education -- Includes dollars used to support general consumer education about energy efficient improvements.

Program Implementation -- Program delivery costs associated with implementing programs -- includes implementation contractor labor and overhead costs, as well as other direct program delivery costs.

Program Marketing -- Includes all expenses related to marketing programs and increasing DSM consumer awareness (direct program marketing costs as opposed to general consumer education).

Planning and Administration -- Costs to plan, develop and administer programs -- includes management of program budgets, oversight of the RFP process and implementation contractors, program development, program coordination, and general overhead expenses.

Measurement, Evaluation, and Research (MER) -- These activities identify current baseline efficiency levels and the market potential of DSM measures, perform process evaluations, verify that energy efficient measures are installed, track savings, and identify additional energy efficiency research. Costs include the development of a database to track participation and savings.

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SEMI-ANNUAL DSM PROGRESS REPORT FOR THE PERIOD: July through December 2008

Table 3

DSM SAVINGS BENEFITS: JANUARY – DECEMBER 2008

DSM Program	Lifetime MWH Savings	Lifetime Therm Savings	Program Cost (less incentives)	Societal Benefits	Societal Costs	Net Benefits*
Residential						
Low-Income Weatherization	49	72,800	\$ 9,872	\$ 94,375	\$ 94,375	\$ -
Energy Smart Homes	0	0	\$ 93,018	\$ -	\$ 93,018	\$ (93,018)
Efficient Home Heating	0	306,649	\$ 52,632	\$ 175,678	\$ 90,719	\$ 84,959
Total for Residential	49	379,449	\$ 155,522	\$ 270,053	\$ 278,112	\$ (8,060)
Non-Residential						
C&I Facilities Gas Efficiency	0	15,641	\$ 49,837	\$ 7,628	\$ 51,200	\$ (43,572)
Total for Non-Residential			\$ 49,837	\$ 7,628	\$ 51,200	\$ (43,572)
Segment Totals	49	379,449	\$ 205,359	\$ 277,680	\$ 329,312	\$ (51,632)

*Consistent with ACC Staff's analysis in Decision No. 70180, the societal benefits for low-income weatherization are equal to or greater than the societal costs when taking the environmental benefits into account.

Table 4

DSM ENVIRONMENTAL SAVINGS: JANUARY – DECEMBER 2008

DSM Program	Lifetime SOX Reduction (lbs)	Lifetime NOX Reduction (lbs)	Lifetime CO2 Reduction (lbs)	Lifetime Water Reduction (gallons)
Low-Income Weatherization	38	123	903,716	11,352
Energy Smart Homes	0	0	0	0
Efficient Home Heating	0	0	859,040	0
C & I Facilities Gas Efficiency	0	0	184,568	0
Program Totals	38	123	1,947,324	11,352

UNS GAS, INC.

SEMI-ANNUAL DSM PROGRESS REPORT FOR THE PERIOD: July through December 2008

Table 5

DSM SAVINGS & COSTS SINCE PROGRAM INCEPTION: JANUARY 2007 – DECEMBER 2008

PROGRAM	ACC Staff Approval	2008 Participants		2008 Program Costs		MWh		Therm	
		Jan - Dec	PTD	Jan - Dec	PTD	Jan - Dec	PTD Savings	Jan - Dec	PTD Savings
Low-Income Weatherization*	2008	52	126	\$ 94,376	\$ 166,281	2	18	3,640	24,819
Energy Smart Homes	2008	0	0	\$ 93,018	\$ 93,018	0	0	0	0
Efficient Home Heating	2008	116	116	\$ 86,357	\$ 86,357	0	0	20,443	20,443
C & I Facilities Gas Efficiency	2008	5	5	\$ 51,162	\$ 51,162	0	0	1,043	1,043
*Savings are estimated for UNS Gas customers by using the Savings to Investment Ratio provided in the 2007 AEO report for APS and SWG. Once sufficient local records are available the AEO will provide analysis on actual energy savings for UNS Gas customers. This change results in lower savings per home than reported mid-year 2008. See footnote page 5.									
TOTAL		173	247	\$ 324,813	\$ 336,658	2	18	25,126	46,305

UNS GAS, INC.

SEMI-ANNUAL DSM PROGRESS REPORT FOR THE PERIOD: July through December 2008

UNS GAS LOW-INCOME WEATHERIZATION PROGRAM

Description

The UNS Gas Low-Income Weatherization Program is designed to improve the energy efficiency of homes for customers whose income falls within the defined federal poverty guidelines. Steps taken in this program will reduce gas and electric bills for eligible customers, improve comfort, and improve their quality of life. Energy savings realized from this program will allow low-income customers to utilize the limited income they receive for other necessary items such as rent, food, or medical expenses.

Program Modifications

On February 27, 2008 UNS Gas received ACC approval to increase the annual available funding from \$75,000 to \$113,400. Beginning in 2008, weatherization measures utilized by the agencies for each customer must pass the cost-effectiveness test detailed in the Arizona Energy Office ("AEO") Weatherization Assistance Program ("WAP") rules. WAP rules include not only consideration of energy efficiency, but also consideration of comfort and the health and safety attributes of homes. The agencies will process the details of the repairs for each house using the AEO online WAP database. The AEO will collect all the data submitted by the agencies and will provide UNS Gas with the necessary periodic reports.

Program Goals and Objectives

- To increase the number of homes weatherized each year;
- Lower the average household utility bills of low income customers by utilizing energy conservation measures in the weatherization process; and
- Improve the quality of life for the customers by providing them with a safe and healthy home.

Level of Participation

A total of 38 households received weatherization assistance during the second six months of 2008. Some agencies turn in the majority of their invoices at the end of the year, typically in the 3rd and 4th quarter. As expected, UNS Gas received a greater number of funding requests in the second half of 2008 than in the first.

Evaluation and Monitoring Activities and Results

No evaluation or monitoring is available for this reporting period. The AEO is receiving billing data from UNS Gas for the homes weatherized and is working on evaluation for future reports.

kW, kWh, and therm Savings

The *estimated* savings for this reporting period are listed below:¹

No. of Homes	kW savings	kWh savings	Therm savings
38	NA	2,191	2,676

¹ Savings are estimated for UNS Gas customers by using the Savings to Investment Ratio provided in the 2007 AEO report for APS and SWG. Once sufficient local records are available the AEO will provide analysis on actual energy savings for UNS Gas customers. The AEO does not provide kW savings and they will no longer be reported.

UNS GAS, INC.

SEMI-ANNUAL DSM PROGRESS REPORT FOR THE PERIOD: July through December 2008

Problems Encountered and Proposed Solutions

At this time, the AEO does not have sufficient historical energy usage on UNS Gas customers participating in the program. AEO requires a minimum of two years of billing data with a preference of four years of data for each customer. However, the AEO is now receiving online billing history from UNS Gas so billing information is now being collected.

Another concern has been the inability of some agencies to utilize the annual funding provided by UNS Gas. The primary focus for this issue has been with Coconino County Community Services ("CCCS"). CCCS' agreement with UNS Gas is for appliance repair and replacement and for the past several years they have not spent their annual allocation. With the additional requirement of meeting WAP rules when replacing or repairing an appliance, CCCS did not have the infrastructure in place to spend all of their funding in 2008. However, Jack Clark, the new Housing Rehab Coordinator, has been working hard to make changes in their process to meet the WAP requirements. He is now utilizing an outside firm to do the audits and testing which meets the program criteria. Additionally, he has had many discussions with the Northern Arizona Council of Governments ("NACOG") and they will be working closely together in 2009 to better serve all clients in Coconino County. During a recent conversation with Mr. Clark, he stated he had jobs lined up in 2009 that would deplete the funding by mid-year.

Costs Incurred

Costs incurred for this program during the reporting period are listed below:

Activity	Rebates & Incentives*	Training & Technical Assistance	Consumer Education	Program Implementation	Program Marketing	Planning & Admin	Program Total Cost
Weatherization	\$ 68,124	\$ -	\$ -	\$ 3,706	\$ -	\$ 1,877	\$ 73,707
Total	\$ 68,124	\$ -	\$ -	\$ 3,706	\$ -	\$ 1,877	\$ 73,707

*Includes \$7,308 for health and safety related repairs

Findings from All Research Projects

No research projects were performed during this reporting period.

Other Significant Information

Funding from UNS Gas for all agencies will increase by 3% in 2009. Additionally, all agencies statewide will be seeing a significant increase in their federal funding for weatherization sometime in 2009. According to the Arizona Energy Office, Arizona could be receiving upwards of \$30 million over the next two years for Low-Income Assistance including weatherization. For Arizona, the AEO is suggesting all agencies ramp up production by a factor of 5 to 10. President Obama's goal is to weatherize one million homes annually compared to the one hundred thousand being weatherized currently. What that means for our statewide agencies is an annual increase from approximately 700 homes to as many as 7000. This will require significant investment in training weatherization crews which has the potential to create a large number of jobs.

UNS GAS, INC.

SEMI-ANNUAL DSM PROGRESS REPORT FOR THE PERIOD: July through December 2008

UNS GAS ENERGY SMART HOMES PROGRAM

Description

The Residential New Construction Program for UNS Gas will be marketed under the name of Energy Smart Homes ("ESH"). The UNS Gas ESH program will emphasize the whole-house approach to improving health, safety, comfort, durability, and energy efficiency. The program will promote homes that meet the EPA/DOE Energy Star Home® performance requirements. To encourage participation, the program will provide incentives to homebuilders for each qualifying home. Required on-site inspections and field testing of a random sample of homes to meet Energy Star Home® performance requirements will be conducted by third-party RESNET certified energy raters selected by each builder. Components of ESH include development of branding, builder training curriculum, and marketing collateral.

Program Modifications

No modifications were made during this reporting period.

Program Goals, Objectives, and Savings Targets

- Work with local builders to construct energy efficient homes;
- Train builder construction staff and subcontractors in advanced building science concepts to increase energy efficiency through improved design and installation practices;
- Transform the market and improve construction practices in the UNS Gas service territory;
- Reduce peak demand and overall energy consumption in new homes;
- Stimulate construction of new homes that are inspected and tested to assure energy performance;
- Assist builder sales agents with promoting and selling energy-efficient homes;
- Increase homebuyer awareness and understanding of energy-efficient building practices and the benefits of purchasing an energy efficient home; and
- Achieve an annual participation of between 9% and 11% of new home units.

Levels of Participation

No homes were completed in 2008. The program has signed five builders, representing a total of 8 homes.

Evaluation and Monitoring Activities and Results

No evaluation or monitoring is available for this reporting period. Summit Blue has been selected as the Measurement, Evaluation, and Research ("MER") contractor for the UNS Gas DSM programs (excluding LIW) and is in the process of developing a MER plan.

kW, kWh, and Therm Savings

There are no savings to report this period.

UNS GAS, INC.

SEMI-ANNUAL DSM PROGRESS REPORT FOR THE PERIOD: July through December 2008

Problems Encountered and Proposed Solutions

1. The national real estate market in the 4th quarter continues to slump, with low consumer confidence, restricted capital markets, and rapidly increasing unemployment numbers. The UNS Gas territory has experienced a significant decrease in new home sales, consistent with decreases in other areas of Arizona. This reduces the number of homes available to be built to increased energy-efficiency standards. Builders, in an attempt to increase sales, have been cutting prices and looking for ways to reduce costs. This downward pressure on profit margins makes it harder to convince builders to incur the added costs of building an energy efficient home. However, there is increasing interest by some builders to distinguish their products by offering higher quality and lower operational cost to the consumer. By supporting these builders, the UNS Gas ESH Program may position itself for rapid growth when the market turns.
2. The ESH program is pursuing partnerships with mortgage brokers and lenders that have specialized loan programs for energy efficient homes and green buildings. These partnerships will further serve participating builders in expanding their market share and provide additional program outreach to the general buying public.
3. Builder recruitment in the UNS Gas territory has been hampered by the existing Energy Star Home program offered through Arizona Public Service ("APS"). This program is well established and offers the same incentive as the Energy Smart Homes Program. Most builders who build five homes or more per year are already enrolled in the APS program. This limits the ESH Program market penetration. As a result UNS Gas is exploring a partnership with APS. This partnership may allow better program participation, shared implementation, and more efficient use of marketing dollars.

Marketing Collateral

New marketing collateral has been produced. The collateral includes yard signs, postcards, and marketing brochures. Please see the attached CD for copies of the marketing materials used for this program. A list of marketing materials is shown in Appendix 1.

Costs Incurred

Costs incurred for this program during the reporting period are listed below:

DSM Program	Rebates & Incentives	Training & Technical Assistance	Consumer Education	Program Implementation	Program Marketing	Planning & Admin	Program Total Cost
Energy Smart Homes	\$ -	\$ 366	\$ 370	\$ 67,652	\$ 3,498	\$ 2,117	\$ 74,004
Total	\$ -	\$ 366	\$ 370	\$ 67,652	\$ 3,498	\$ 2,117	\$ 74,004

Findings from All Research Projects

No research projects were undertaken during this reporting period.

Other Significant Information

On February 27, 2008 the ESH Program received ACC approval. On April 15, 2008 Conservation Services Group ("CSG") was chosen as the Implementation Contractor ("IC") for the ESH Program. The ESH Program was launched June 16, 2008. During this time CSG and UNS Gas have visited markets and met with builders. CSG has also hired and trained their internal personnel to implement the program.

UNS GAS, INC.

SEMI-ANNUAL DSM PROGRESS REPORT FOR THE PERIOD: July through December 2008

CSG has recommended to UNS Gas that an additional tier be evaluated for the ESH program. Some builders in the market are already building homes that meet or exceed Energy Star standards. These builders are looking to further distinguish themselves in the green building market, and could be encouraged to achieve more savings with a higher incentive level and more market recognition. UNS Gas is considering additional tiers to encourage more program participation.

UNS Gas is currently working with Summit Blue to develop a refined reference home for the Flagstaff area to closely reflect current building practices in Arizona's colder weather climate. This allows more precise savings estimates for homes built to program standards and establishes a benchmark for adding additional tiers to the program standards.

UNS GAS, INC.

SEMI-ANNUAL DSM PROGRESS REPORT FOR THE PERIOD: July through December 2008

UNS GAS EFFICIENT HOME HEATING PROGRAM

Description

The Efficient Home Heating Program ("EHH") promotes the purchase and installation of Energy Star qualified, high-efficiency, gas-fueled furnaces that meet or exceed the minimum Energy Star standard of 90% AFUE. Incentives for the purchase of qualifying high-efficiency equipment are paid directly to homeowners.

Program Modifications

No Program modifications were made during this reporting period.

Program Goals and Objectives

- Promote the installation of high-efficiency gas-fueled furnaces;
- Reduce customer energy bills, provide equal or better comfort conditions, conserve energy and benefit the environment; and
- Achieve target participation of 700 + furnaces installed per year

Level of Participation

116 customers took advantage of the Efficient Home Heating Program during 2008 at an average incremental cost of \$410.

Evaluation and Monitoring Activities and Results

No evaluation or monitoring is available for this reporting period. Summit Blue has been selected as the Measurement, Evaluation, and Research ("MER") contractor for the UNS Gas DSM programs (excluding LIW) and is in the process of developing a MER plan.

kW, kWh, and therm Savings

No. of Furnaces Installed	kW savings	kWh savings	Therm savings
116	NA	NA	20,443

Problems Encountered and Proposed Solutions

No problems were encountered during this reporting period.

UNS GAS, INC.

SEMI-ANNUAL DSM PROGRESS REPORT FOR THE PERIOD: July through December 2008

Costs Incurred

Costs incurred for this program during the reporting period are listed below:

DSM Program	Rebates & Incentives*	Training & Technical Assistance	Consumer Education	Program Implementation	Program Marketing	Planning & Admin	Program Total Cost
Efficient Home Heating	\$ 33,725	\$ 320	\$ 100	\$ 20,968	\$ 13,727	\$ 1,975	\$ 70,814
Total	\$ 33,725	\$ 320	\$ 100	\$ 20,968	\$ 13,727	\$ 1,975	\$ 70,814

*Includes \$1,200 in contractor rebates

Other Significant Information

The EHH Program received ACC approval on February 27, 2008. UNS Gas officially launched the program June 16, 2008.

In November 2008, the following bill message was included in all UNS Gas residential bills:

You can receive up to \$325 in rebates from UES for installing a new high-efficiency furnace in your home this winter. Visit uesaz.com to learn more.

In addition to the bill message, a bill insert was included in the November residential bills for UNS Gas customers, as well as print advertising in all major newspapers in each of the UNS Gas service territories.

HVAC Contractors continue to be actively recruited for participation in the Program. To date 56 contractors throughout the UNS Gas service territory have signed agreements to participate in the program.

UNS Gas participated in the Prescott Valley Energy Fair in September 2008. The event was attended by several hundred potential program participants and HVAC Contractors. As a result of UNS Gas participation, additional HVAC Contractors signed up as Participating Contractors in the EHH Program.

Please see the attached CD for copies of the bill insert and print ad. A list of marketing materials for this program is shown in Appendix 1.

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SEMI-ANNUAL DSM PROGRESS REPORT FOR THE PERIOD: July through December 2008

UNS GAS C&I FACILITIES GAS EFFICIENCY PROGRAM

Description

The C&I Facilities Gas Efficiency Program is designed to promote the installation of high-efficiency, gas-fueled equipment and systems at existing commercial and industrial facilities within the UNS Gas service area.

Program Modifications

No modifications were made during this reporting period.

Program Goals and Objectives

- Help commercial and industrial customers reduce and manage their energy costs;
- Reduce greenhouse gas emissions; and
- Lower overall rates and energy costs compared to other resource options.

Level of Participation

Five applications were received in 2008. All five applications were for high efficiency furnaces. The average incremental cost is \$371.

Evaluation and Monitoring Activities and Results

No evaluation or monitoring is available for this reporting period. Summit Blue has been selected as the Measurement, Evaluation, and Research ("MER") contractor for the UNS Gas DSM programs (excluding LIW) and is in the process of developing a MER plan.

kW, kWh, and therm Savings

Measure	No. Installed	kW savings	kWh savings	Therm savings
High efficiency furnace 90 AFUE +	5	NA	NA	20,443

Problems Encountered and Proposed Solutions

Lack of program participation is a concern. Some reasons for this lack of participation:

- The current recession is forcing businesses to reduce spending when possible;
- Little demand from businesses for energy efficient equipment due to the increased incremental costs;
- Suppliers do not carry inventory of energy efficient equipment due to lack of demand. When product is needed, it is needed now and businesses can not wait for it to be ordered;
- Packaged cooling and heating HVAC units are commonly sold, but they do not qualify for program rebates because the furnace ratings are not AFUE level of 90 or above. No one manufactures package HVAC units that qualify for the furnace rebates; and
- Efficient commercial grade water heaters require different technology including enhanced burner design, electronic ignition, and flue dampers and are substantially more expensive than smaller residential style commercial grade water heaters. These high efficiency water heaters are not currently in great demand.

UNS GAS, INC.

SEMI-ANNUAL DSM PROGRESS REPORT FOR THE PERIOD: July through December 2008

UNS Gas is exploring the following initiatives to increase participation:

- Increase program incentives to pay for a greater cost for high efficiency equipment
- Include more products in the mix for receiving incentives.

Costs Incurred

Costs incurred for this program during the reporting period are listed below:

DSM Program	Rebates & Incentives	Training & Technical Assistance	Consumer Education	Program Implementation	Program Marketing	Planning & Admin	Program Total Cost
C&I Facilities Gas Efficiency	\$ 1,325	\$ -	\$ 4,497	\$ 25,136	\$ -	\$ 2,231	\$ 33,190
Total	\$ 1,325	\$ -	\$ 4,497	\$ 25,136	\$ -	\$ 2,231	\$ 33,190

Other Significant Information

The UNS Gas C&I Program received ACC approval on February 27, 2008. KEMA was selected as the IC on May 25, 2008. KEMA and UNS Gas jointly developed an implementation plan in June of 2008. Program marketing efforts started with UNS Gas employee meetings held late April and early May. The C&I program was launched on June 16, 2008, with the website and IC call center operational on the same date. Initial meetings were held with HVAC contractors in mid-June 2008 to coincide with the web site launch. Program planning, development, and document preparation was completed by June 30, 2008.

Since the official launch of the program, a tremendous amount of work has been done to promote the program to UNS Gas employees, retailers, wholesalers, distributors, and end users. Consumer awareness is critical, and given the limited budget and the vastness of the service area, the marketing emphasis has been placed on the sales and distribution channels.

Promotion among UNS Gas employees was on going as the employees interface with customers on a daily basis. This promotion to employees was done through a frequent email blitz and reminders at employee meeting through out the last half of 2008.

UNS Gas sponsored the Flagstaff Chamber of Commerce August 2008 newsletter. The UNS Gas programs were featured in an ad. Circulation goes to 2,000 businesses in the greater Flagstaff area. In addition, UNS Gas participated in the Energy Fair in Prescott on September 13 & 14, 2008.

Marketing efforts were increased this reporting period to try to create program participation and further understand the hurdles for participation. Additional market outreach and research efforts were made in October 2008. On the HVAC side, contact was made with several equipment manufacturers, regional distributors and 38 local contractors. Program information was communicated and program contact information was provided to each contractor. Follow-up emails were sent to each contractor. Personal follow-up calls were made by the program manager to 12 businesses in Prescott, Cottonwood and Flagstaff in November 2008.

On the water heater side, efforts were made to partner with wholesalers/distributors (Canyon Pipe & Supply and WinNelson) for on-site outreach opportunities. Also, a listing for registered commercial contractors in the UNS Gas service area has been developed. Contact and promotional efforts were made with the 279 commercial contractors specializing in commercial and industrial plumbing and HVAC services in Flagstaff, Prescott/Prescott Valley, Kingman, Nogales, Rio Rico, Winslow and Williams.

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During discussions with distributors it was mentioned that most of the energy efficient model sales for commercial water heaters were sold with the help of Southwest Gas incentives. Southwest Gas offers an incentive of up to \$1500 per qualifying water heater. The UNS Gas incentive for a comparable water heater is \$200. As a result UNS Gas is exploring changes to the C&I Facilities Gas Efficiency Program.

Please see the attached CD for copies of the marketing materials used for this program. A list of marketing materials for this program is shown in Appendix 1.

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SEMI-ANNUAL DSM PROGRESS REPORT FOR THE PERIOD: July through December 2008

APPENDIX 1 – MARKETING MATERIALS

Energy Smart Homes Program:

- Energy Smart Home Yard Sign (PDF)
- UniSource Energy Services Energy Fair Letter (PDF)
- UniSource Energy Services Post Card (PDF)

Efficient Home Heating Program:

- Bill Insert – Energy Home Heating Bill Insert (PDF)
- Brochure – Energy Home Heating Brochure (PDF)
- Print Ad – Energy Home Heating ads (PDF)
- Web – Energy Home Heating Web Content (Word document)

Commercial Energy Solutions (C & I Facilities Gas Efficiency Program):

- UniSource Energy Services Flagstaff Chamber Ad (PDF)
- Commercial DSM (Word document)
- Boiler Flyer (PDF)
- Plumber Flyer (PDF)
- Water Heater Flyer (PDF)
- UNS Gas – Commercial Gas Program (Word document)